

STATE OF CALIFORNIA  
DEPARTMENT OF MANAGED HEALTH CARE  
HEALTH CARE SERVICE PLAN

1

**QUARTERLY FINANCIAL REPORTING FORM**

Submitted on 3/3/2003 3:28:53 PM

		1
1.	FOR THE QUARTER ENDING:	December 31, 2002
2.	Name:	<b>Private Medical-Care, Inc.</b>
3.	File Number:(Enter last three digits) 933-0	<b>079</b>
4.	Date Incorporated or Organized:	August 13, 1968
5.	Date Licensed as a HCSP:	November 1, 1969
6.	Date Federally Qualified as a HCSP:	N/A
7.	Date Commenced Operation:	November 1, 1969
8.	Mailing Address:	12898 Towne Center Drive, Cerritos, California 90703
9.	Address of Main Administrative Office:	12898 Towne Center Drive, Cerritos, California 90703
10.	Telephone Number:	(562) 924-8311
11.	HCSP's ID Number:	933-0079
12.	Principal Location of Books and Records:	12898 Towne Center Drive, Cerritos, California 90703
13.	Plan Contact Person and Phone Number:	Melissa Gee, (415) 972-8396
14.	Financial Reporting Contact Person and Phone Number:	James Carney, (562) 467-7795
15.	President:*	Robert Burton Elliott
16.	Secretary:*	Sharon Louise Rafter
17.	Chief Financial Officer:*	Elizabeth Margaret Russell
18.	Other Officers:*	Belinda Martinez, Vice President
19.		Philip Joseph Runnoe, Assistant Treasurer
20.		Melissa Kay Gee, Assistant Secretary
21.		
22.	Directors:*	Gary Dennis Radine
23.		Elizabeth Margaret Russell
24.		Robert Burton Elliott
25.		Jerry Reid Holcombe
26.		Marilyn Godby Belek, DMD
27.		Anthony Scott Barth
28.		
29.		
30.		
31.		

The officers listed on lines 15 through 17 of the health care service plan noted on line 2, being duly sworn, each for himself or herself, deposes and says that they are the officers of the said health care service plan, and that, for the reporting period stated above, all of the herein assets were the absolute property of the said health care service plan, free and clear from any liens or claims thereon, except as herein stated, and that these financial statements, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said health care service plan as of the reporting period stated above, and of its income and deductions therefrom for the period reported, according to the best of their information, knowledge and belief, respectively.

32. President	Robert Burton Elliott
33. Secretary	Sharon Louise Rafter
34. Chief Financial Officer	Elizabeth Margaret Russell
* Show full name (initials not accepted) and indicate by sign (#) those officers and directors who did not occupy the indicated position in the previous statement.	
35. Check if this is a revised filing:	<input checked="" type="checkbox"/>
36. If all dollar amounts are reported in thousands (000), check here	<input type="checkbox"/>

Check My Work.

**STATE OF CALIFORNIA  
DEPARTMENT OF MANAGED HEALTH CARE  
HEALTH CARE SERVICE PLAN**

## QUARTERLY FINANCIAL REPORTING FORM

### SUPPLEMENTAL INFORMATION

		1
1.	Are footnote disclosures attached with this filing?	Yes <input type="button" value="▼"/>
2.	Is the attached reporting form filed on a consolidated or combined basis? If "Yes", the plan is required to file consolidating or combining schedules.	Yes <input type="button" value="▼"/>
3.	Is the plan required to file additional information (i.e. parent/affiliate financial statements, claims reports, etc.) that is required by the Department?	No <input type="button" value="▼"/>
4.	Have the Restricted Assets changed from the previous quarterly filing? If "yes", complete Schedule A-2 (Restricted Assets).	No <input type="button" value="▼"/>
5.	Are there any significant changes reported on Schedule G, Section III?	No <input type="button" value="▼"/>
6.	If "yes", describe:	

## STATEMENT AS OF 12-31-2002 OF 933-0079 Private Medical-Care, Inc.

## REPORT #1 ---- PART A: ASSETS

1	2
<b>CURRENT ASSETS:</b>	Current Period
1. Cash and Cash Equivalents	7,944,535
2. Short-Term Investments	
3. Premiums Receivable - Net	5,174,576
4. Interest Receivable	3,274
5. Shared Risk Receivables - Net	
6. Other Health Care Receivables - Net	307,277
7. Prepaid Expenses	901,008
8. Secured Affiliate Receivables - Current	21,399,465
9. Unsecured Affiliate Receivables - Current	709,186
10. Aggregate Write-Ins for Current Assets	0
11. TOTAL CURRENT ASSETS (Items 1 to 10)	36,439,321
<b>OTHER ASSETS:</b>	
12. Restricted Assets	362,811
13. Long-Term Investments	735,346
14. Intangible Assets and Goodwill - Net	
15. Secured Affiliate Receivables - Long-Term	
16. Unsecured Affiliate Receivables - Past Due	
17. Aggregate Write-Ins for Other Assets	374,661
18. TOTAL OTHER ASSETS (Items 12 to 17)	1,472,818
<b>PROPERTY AND EQUIPMENT</b>	
19. Land, Building and Improvements	
20. Furniture and Equipment - Net	1,266,104
21. Computer Equipment - Net	1,542,313
22. Leasehold Improvements -Net	663,891
23. Construction in Progress	12,348
24. Software Development Costs	17,413,358
25. Aggregate Write-Ins for Other Equipment	0
26. TOTAL PROPERTY AND EQUIPMENT (Items 19 to 25)	20,898,014
27. TOTAL ASSETS	58,810,153
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 10 FOR CURRENT ASSETS</b>	
1001.	
1002.	
1003.	
1004.	
1098. Summary of remaining write-ins for Item 10 from overflow page	
1099. TOTALS (Items 1001 thru 1004 plus 1098)	0
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 17 FOR OTHER ASSETS</b>	
1701. Note Receivable	350,223
1702. Deposit	24,438
1703.	
1704.	
1798. Summary of remaining write-ins for Item 17 from overflow page	
1799. TOTALS (Items 1701 thru 1704 plus 1798)	374,661
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR OTHER EQUIPMENT</b>	
2501.	
2502.	
2503.	
2504.	
2598. Summary of remaining write-ins for Item 25 from overflow page	
2599. TOTALS (Items 2501 thru 2504 plus 2598)	0

## STATEMENT AS OF 12-31-2002 OF 933-0079 Private Medical-Care, Inc.

## REPORT #1 ---- PART B: LIABILITIES AND NET WORTH

1	2	3	4
<b>CURRENT LIABILITIES:</b>	Current Period		
	Contracting	Non-Contracting	Total
1. Trade Accounts Payable	6,993,413	XXX	6,993,413
2. Capitation Payable	43,456	XXX	43,456
3. Claims Payable (Reported)	1,177,030	72,867	1,249,897
4. Incurred But Not Reported Claims	7,192,422	785,337	7,977,759
5. POS Claims Payable (Reported)			0
6. POS Incurred But Not Reported Claims			0
7. Other Medical Liability			0
8. Unearned Premiums	7,862,608	XXX	7,862,608
9. Loans and Notes Payable		XXX	0
10. Amounts Due To Affiliates - Current	1,280,138	XXX	1,280,138
11. Aggregate Write-Ins for Current Liabilities	0	0	0
12. TOTAL CURRENT LIABILITIES (Items 1 to 11)	24,549,067	858,204	25,407,271
<b>OTHER LIABILITIES:</b>			
13. Loans and Notes Payable (Not Subordinated)		XXX	0
14. Loans and Notes Payable (Subordinated)	10,000,000	XXX	10,000,000
15. Accrued Subordinated Interest Payable		XXX	0
16. Amounts Due To Affiliates - Long Term		XXX	0
17. Aggregate Write-Ins for Other Liabilities	6,315,807	XXX	6,315,807
18. TOTAL OTHER LIABILITIES (Items 13 to 17)	16,315,807	XXX	16,315,807
19. TOTAL LIABILITIES	40,864,874	858,204	41,723,078
<b>NET WORTH</b>			
20. Common Stock	XXX	XXX	
21. Preferred Stock	XXX	XXX	
22. Paid In Surplus	XXX	XXX	
23. Contributed Capital	XXX	XXX	
24. Retained Earnings (Deficit)/Fund Balance	XXX	XXX	17,087,075
25. Aggregate Write-Ins for Other Net Worth Items	XXX	XXX	0
26. TOTAL NET WORTH (Items 20 to 25)	XXX	XXX	17,087,075
27. TOTAL LIABILITIES AND NET WORTH	XXX	XXX	58,810,153
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 11 FOR CURRENT LIABILITIES</b>			
1101.			0
1102.			0
1103.			0
1104.			0
1198. Summary of remaining write-ins for Item 11 from overflow page			0
1199. TOTALS (Items 1101 thru 1104 plus 1198)	0	0	0
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 17 FOR OTHER LIABILITIES</b>			
1701. Accrued Retirement Benefits	3,332,344	XXX	3,332,344
1702. Accrued Payroll	2,500,953	XXX	2,500,953
1703. Deferred Compensation	378,529	XXX	378,529
1704. Capital Lease	103,981	XXX	103,981
1798. Summary of remaining write-ins for Item 17 from overflow page	0	XXX	0
1799. TOTALS (Items 1701 thru 1704 plus 1798)	6,315,807	XXX	6,315,807
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR OTHER NET WORTH ITEMS</b>			
2501.	XXX	XXX	
2502.	XXX	XXX	
2503.	XXX	XXX	
2504.	XXX	XXX	
2598. Summary of remaining write-ins for Item 25 from overflow page	XXX	XXX	
2599. TOTALS (Items 2501 thru 2504 plus 2598)	XXX	XXX	0

## STATEMENT AS OF 12-31-2002 OF 933-0079 Private Medical-Care, Inc.

## REPORT #2: REVENUE, EXPENSES AND NET WORTH

	1	2
	Current Period	Year-To-Date
<b>REVENUES:</b>		
1. Premiums (Commercial)	42,438,007	166,300,241
2. Capitation		
3. Co-payments, COB, Subrogation		
4. Title XVIII - Medicare		
5. Title XIX - Medicaid		
6. Fee-For-Service	4,951	17,178
7. Point-Of-Service (POS)		
8. Interest	426,964	1,731,274
9. Risk Pool Revenue		
10. Aggregate Write-Ins for Other Revenues	276,319	974,832
11. TOTAL REVENUE (Items 1 to 10)	43,146,241	169,023,525
<b>EXPENSES:</b>		
<b>Medical and Hospital</b>		
12. Inpatient Services - Capitated		
13. Inpatient Services - Per Diem		
14. Inpatient Services - Fee-For-Service/Case Rate		
15. Primary Professional Services - Capitated	20,387,913	85,210,023
16. Primary Professional Services - Non-Capitated	8,467,850	33,358,639
17. Other Medical Professional Services - Capitated		
18. Other Medical Professional Services - Non-Capitated		
19. Non-Contracted Emergency Room and Out-of-Area Expense, not including POS		
20. POS Out-Of-Network Expense		
21. Pharmacy Expense - Capitated		
22. Pharmacy Expense - Fee-for-Service		
23. Aggregate Write-Ins for Other Medical and Hospital Expenses	677,444	2,681,295
24. TOTAL MEDICAL AND HOSPITAL (Items 12 to 23)	29,533,207	121,249,957
<b>Administration</b>		
25. Compensation	7,009,823	21,852,298
26. Interest Expense	195,804	733,177
27. Occupancy, Depreciation and Amortization	1,161,214	4,528,057
28. Management Fees		
29. Marketing	1,805,198	8,109,604
30. Affiliate Administration Services	1,543,759	6,138,198
31. Aggregate Write-Ins for Other Administration	2,469,526	6,359,494
32. TOTAL ADMINISTRATION (Items 25 to 31)	14,185,324	47,720,828
33. TOTAL EXPENSES	43,718,531	168,970,785
34. INCOME (LOSS)	-572,290	52,740
35. Extraordinary Item		
36. Provision for Taxes		
37. NET INCOME (LOSS)	-572,290	52,740
<b>NET WORTH:</b>		
38. Net Worth Beginning of Period	17,659,365	Continue Checking.
39. Audit Adjustments		
40. Increase (Decrease) in Common Stock		
41. Increase (Decrease) in Preferred Stock		
42. Increase (Decrease) in Paid in Surplus		
43. Increase (Decrease) in Contributed Capital		
44. Increase (Decrease) in Retained Earnings:		
45. Net Income (Loss)	-572,290	52,740
46. Dividends to Stockholders		
47. Aggregate Write-Ins for Changes in Retained Earnings	0	0
48. Aggregate Write-Ins for Changes in Other Net Worth Items	0	0
49. NET WORTH END OF PERIOD (Items 38 to 48)	17,087,075	17,087,075

## STATEMENT AS OF 12-31-2002 OF 933-0079 Private Medical-Care, Inc.

## REPORT #2: REVENUE, EXPENSES AND NET WORTH

1		2	3
		Current Period	Year-to-Date
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 10 FOR OTHER REVENUES</b>			
1001.	Administrative Income	91,127	789,640
1002.	Reinsurance recoveries	185,192	185,192
1003.			
1004.			
1005.			
1006.			
1098.	Summary of remaining write-ins for Item 10 from overflow page		
1099.	TOTALS (Items 1001 thru 1006 plus 1098)	276,319	974,832
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 23 FOR OTHER MEDICAL AND HOSPITAL EXPENSES</b>			
2301.	Quality Assurance	677,444	2,681,295
2302.			
2303.			
2304.			
2305.			
2306.			
2398.	Summary of remaining write-ins for Item 23 from overflow page		
2399.	TOTALS (Items 2301 thru 2306 plus 2398)	677,444	2,681,295
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 31 FOR OTHER ADMINISTRATIVE EXPENSES</b>			
3101.	Other Administrative Expense	2,469,526	6,359,494
3102.			
3103.			
3104.			
3105.			
3106.			
3198.	Summary of remaining write-ins for Item 31 from overflow page		
3199.	TOTALS (Items 3101 thru 3106 plus 3198)	2,469,526	6,359,494
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 47 FOR CHANGES IN RETAINED EARNINGS</b>			
4701.			
4702.			
4703.			
4704.			
4705.			
4706.			
4798.	Summary of remaining write-ins for Item 47 from overflow page		
4799.	TOTALS (Items 4701 thru 4706 plus 4798)	0	0
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 48 FOR CHANGES OF OTHER NET WORTH ITEMS</b>			
4801.			
4802.			
4803.			
4804.			
4805.			
4806.			
4898.	Summary of remaining write-ins for Item 48 from overflow page		
4899.	TOTALS (Items 4801 thru 4806 plus 4898)	0	0

**REPORT #3: STATEMENT OF CASH FLOWS (Direct Method)**

1	2	3
	Current Period	Year-to-Date
<b>CASH FLOW PROVIDED BY OPERATING ACTIVITIES</b>		
1. Group/Individual Premiums/Capitation	45,615,263	165,438,133
2. Fee-For-Service	4,951	17,178
3. Title XVIII - Medicare Premiums		
4. Title XIX - Medicaid Premiums		
5. Investment and Other Revenues	702,623	2,706,041
6. Co-Payments, COB and Subrogation		
7. Medical and Hospital Expenses	-30,748,051	-121,143,715
8. Administration Expenses	-10,003,753	-44,835,315
9. Federal Income Taxes Paid		
10. Interest Paid	-195,804	-733,177
11. NET CASH PROVIDED BY OPERATING ACTIVITIES	5,375,229	1,449,145
<b>CASH FLOW PROVIDED BY INVESTING ACTIVITIES</b>		
12. Proceeds from Restricted Cash and Other Assets		
13. Proceeds from Investments	589,004	2,144,438
14. Proceeds for Sales of Property, Plant and Equipment		
15. Payments for Restricted Cash and Other Assets		-99,723
16. Payments for Investments	-160,545	-4,931,551
17. Payments for Property, Plant and Equipment	243,132	-3,261,994
18. NET CASH PROVIDED BY INVESTING ACTIVITIES	671,591	-6,148,830
<b>CASH FLOW PROVIDED BY FINANCING ACTIVITIES:</b>		
19. Proceeds from Paid in Capital or Issuance of Stock		4,000,000
20. Loan Proceeds from Non-Affiliates		
21. Loan Proceeds from Affiliates		
22. Principal Payments on Loans from Non-Affiliates		
23. Principal Payments on Loans from Affiliates		
24. Dividends Paid		
25. Aggregate Write-Ins for Cash Provided by Financing Activities	-33,129	-128,192
26. NET CASH PROVIDED BY FINANCING ACTIVITIES	-33,129	3,871,808
27. NET INCREASE (DECREASE) IN CASH (Items 11, 18 & 26)	6,013,691	-827,877
28. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE QUARTER	1,930,844	8,772,412
29. CASH AND CASH EQUIVALENTS AT THE END OF THE QUARTER	7,944,535	7,944,535
<b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
30. Net Income	-572,290	52,740
<b>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</b>		
31. Depreciation and Amortization	690,004	2,699,239
32. Decrease (Increase) in Receivables	639,634	-378,321
33. Decrease (Increase) in Prepaid Expenses	84,810	-446,702
34. Decrease (Increase) in Affiliate Receivables	2,138,463	581,382
35. Increase (Decrease) in Accounts Payable	1,063,765	-1,206,866
36. Increase (Decrease) in Claims Payable and Shared Risk Pool	-1,235,899	151,382
37. Increase (Decrease) in Unearned Premium	2,537,622	-483,787
38. Aggregate Write-Ins for Adjustments to Net Income	29,120	480,078
39. TOTAL ADJUSTMENTS (Items 31 through 38)	5,947,519	1,396,405
40. NET CASH PROVIDED BY OPERATING ACTIVITIES (Item 30 adjusted by Item 39 must agree to Item 11)	5,375,229	1,449,145
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR CASH FLOW PROVIDED BY FINANCING ACTIVITIES</b>		
2501. Capital Lease	-33,129	-128,192
2502.		
2503.		
2598. Summary of remaining write-ins for Item 25 from overflow page		
2599. TOTALS (Items 2501 thru 2503 plus 2598)	-33,129	-128,192
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 38 FOR ADJUSTMENTS TO NET INCOME</b>		
3801. Accrued Payroll	886,704	-74,607
3802. Accrued Retirement	217,278	969,142
3803. Other Receivable	103,059	-37,846
3898. Summary of remaining write-ins for Item 38 from overflow page	-1,177,921	-376,611
3899. TOTALS (Items 3801 thru 3803 plus 3898)	29,120	480,078

**REPORT #3: STATEMENT OF CASH FLOWS (Indirect Method)**

	1	2
	Current Period	Year-to-Date
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
1. Net Income (Loss)	-572,290	52,740
<b>ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
2. Depreciation and Amortization		
3. Unrealized Gains/Losses on Equity Securities		
4. Gain/Loss on Sale of Assets		
5. Deferred Income Taxes		
<b>CHANGE IN OPERATING ASSETS AND LIABILITIES</b>		
<b>(Increase) Decrease in Operating Assets:</b>		
6. Receivables		
7. Prepaid Expenses		
8. Affiliate Receivables		
9. Aggregate write-ins for (increase) decrease in operating assets	0	0
<b>Increase (Decrease) in Operating Liabilities:</b>		
10. Trade Accounts Payable		
11. Capitation Payable		
12. Claims Payable and IBNR		
13. Other Medical Liability		
14. Unearned Premiums		
15. Affiliate Payables		
16. Aggregate write-ins for increase (decrease) in operating liabilities	0	0
17. <b>NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES</b>	-572,290	52,740
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
18. Proceeds from Restricted Cash and Other Assets		
19. Proceeds from Investments		
20. Proceeds for Sales of Property, Plant, and Equipment		
21. Payments for Restricted Cash and Other Assets		
22. Payments for Investments		
23. Payments for Property, Plant, and Equipment		
24. Aggregate write-ins for cash flow provided by investing activities	0	0
25. <b>NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES</b>	0	0
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
26. Proceeds from Paid-in-Capital or Issuance of Stock		
27. Loan Proceeds from Non-Affiliates		
28. Loan Proceeds from Affiliates		
29. Principal Payments on Loans from Non-Affiliates		
30. Principal Payments on Loans from Affiliates		
31. Dividends Paid		
32. Principal Payments under lease obligations		
33. Aggregate write-ins for cash flow provided by financing activities	0	0
34. <b>NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES</b>	0	0
35. <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	-572,290	52,740
36. <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE QUARTER</b>		
37. <b>CASH AND CASH EQUIVALENTS AT THE END OF THE QUARTER</b>	-572,290	52,740



**REPORT #3: STATEMENT OF CASH FLOWS (Indirect Method)**

1	2	3
	Current Period	Year-to-Date
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 9 FOR (INCREASE) DECREASE IN OPERATING ASSETS</b>		
901.		
902.		
903.		
998. Summary of remaining write-ins for Item 9 from overflow page		
999. TOTALS (Items 901 thru 903 plus 998)	0	0
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 16 FOR INCREASE (DECREASE) IN OPERATING LIABILITIES</b>		
1601.		
1602.		
1603.		
1698. Summary of remaining write-ins for Item 16 from overflow page		
1699. TOTALS (Items 1601 thru 1603 plus 1698)	0	0
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 24 FOR CASH FLOW PROVIDED BY INVESTING ACTIVITIES</b>		
2401.		
2402.		
2403.		
2498. Summary of remaining write-ins for Item 24 from overflow page		
2499. TOTALS (Items 2401 thru 2403 plus 2498)	0	0
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 33 FOR CASH FLOW PROVIDED BY FINANCING ACTIVITIES</b>		
3301.		
3302.		
3303.		
3398. Summary of remaining write-ins for Item 33 from overflow page		
3399. TOTALS (Items 3301 thru 3303 plus 3398)	0	0

### TOTAL ENROLLMENT

[illegible]

**SCHEDULE A-1 (CASH)**

1	2	3
Name of Depository (List all accounts even if closed during the period)	Account Number	Balance*
1. Wells Fargo Bank	4031-054380	4,442,246
2. Wells Fargo Bank	4031-049398	886,882
3. Fleet Bank	000-097-2077	74,604
4. Wells Fargo Bank	2300-148117	1,851,101
5. Wells Fargo Bank	4031-056674	333,047
6. Wells Fargo Bank	4589-619303	265,038
7. Bank Of America	590034062	16,300
8. Others		75,317
9. Total Cash on Deposit		7,944,535
10. Cash on Hand (Petty Cash)		
11. Total Cash on Hand and on Deposit (Report #1, Part A, Line 1)		7,944,535

**SCHEDULE A-2 RESTRICTED ASSETS**

1	2	3
Name of Depository (List all accounts even if closed during period)	Account Number	Balance*
12. Wells Fargo Bank	1031698020	100,000
13. Chase Bank of Texas	88805177219	133,088
14. Wells Fargo Bank	2,201,306,400	30,000
15. First Union National Bank	807200751	99,723
16.		
17.		
18.		
19. Total Restricted Assets		362,811

\* Indicate the Balance Per the HMO's Records

**STATEMENT AS OF 12-31-2002 OF 933-0079 Private Medical-Care, Inc.**

**SCHEDULE C - PREMIUMS RECEIVABLE (Other than Affiliates)**

Individually list all debtors (commercial only) with account balances greater than 5% of gross Premiums Receivable

1 Name of Debtor		2 31-60 Days	3 61-90 Days	4 Over 90 Days	5 Total
1.	N/A				0
2.					0
3.					0
4.					0
5.					0
6.					0
7.					0
8.					0
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51.					0
52.					0
53.					0
54.					0
55.	Total - Individual Listed Receivables	0	0	0	0

## STATEMENT AS OF 12-31-2002 OF 933-0079 Private Medical-Care, Inc.

**SCHEDULE D**  
**HEALTH CARE RECEIVABLES &**  
**AMOUNTS DUE FROM PARENT, SUBSIDIARIES, AND AFFILIATES**

Individually list all debtors with account balances greater than 10% of gross Receivables

1 Name of Debtor		2 31-60 Days	3 61-90 Days	4 Over 90 Days	5 Total
1.	Delta Dental Insurance Company	640,062			640,062
2.					0
3.					0
4.					0
5.					0
6.					0
7.					0
8.					0
9.					0
10.					0
11.					0
12.					0
13.					0
14.					0
15.					0
16.					0
17.					0
18.					0
19.					0
20.					0
21.					0
22.					0
23.					0
24.					0
25.					0
26.					0
27.					0
28.					0
29.					0
30.					0
31.					0
32.					0
33.					0
34.					0
35.					0
36.					0
37.					0
38.					0
39.					0
40.					0
41.					0
42.					0
43.					0
44.					0
45.					0
46.					0
47.					0
48.					0
49.					0
50.					0
51.					0
52.					0
53.					0
54.					0
55.	Total - Individual Listed Receivables	640,062	0	0	640,062

**STATEMENT AS OF 12-31-2002 OF 933-0079 Private Medical-Care, Inc.**

**SCHEDULE F - ACCOUNTS PAYABLE**

Individually list all creditors with account balances greater than 5% of total trade accounts payable. Group the total of all other payables and enter on the line titled, "Aggregate Accounts Not Individually Listed-Due." Report accounts payable from the initial date of billing or due date under contract.

1 Name of Debtor		2 31-60 Days	3 61-90 Days	4 91-120 Days	5 Over 120 Days	6 Total
1.	Aggregate Accounts Not Individually Listed	6,993,697				6,993,697
2.						0
3.						0
4.						0
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.						0
16.						0
17.						0
18.						0
19.						0
20.						0
21.						0
22.						0
23.						0
24.	Total - Individual Listed Payables	6,993,697	0	0	0	6,993,697

**SCHEDULE G - UNPAID CLAIMS ANALYSIS****SECTION I - CLAIMS UNPAID**

Type of Claim	1 Reported Claims in Process of Adjustment	2 Estimated Incurred but Unreported	3 Total - Unpaid Claims (Columns 4+5 of Section II)
1. Inpatient Claims			0
2. Physician Claims	1,177,030	7,192,422	8,369,452
3. Referral Claims	72,867	785,337	858,204
4. Other Medical			0
5. TOTAL	1,249,897	7,977,759	9,227,656

**SECTION II - ANALYSIS OF CLAIMS UNPAID - PREVIOUS YEAR (FILE ANNUAL ONLY)**

1 Type of Claim	Claims Paid During the Fiscal Year		Unpaid Claims During the Fiscal Year		6 Total Claims (Paid and Unpaid) for the Previous Fiscal Year (2+4)	7 Estimated Liability of Unpaid Claims Prior to the first day of the Prior Year
	2 On Claims Incurred Prior to the first day of the Current Fiscal Year	3 On Claims Incurred During the Fiscal Year	4 On Claims Unpaid Prior to the first day of the Previous Fiscal Year	5 On Claims Incurred During the Year		
6. Inpatient Claims					0	
7. Physician Claims					0	
8. Referral Claims					0	
9. Other Medical					0	
10. TOTAL	0	0	0	0	0	0

**SECTION III - INVENTORY OF CLAIMS TO BE PROCESSED\***

1 Month Ending	2 <b>Beginning Balance</b> Number of Claims in inventory on the 1st of each month	3 <b>Add - Claims</b> Received during the month	4 <b>Deduct -</b> Claims paid during the month	5 <b>Deduct - Claims</b> denied during the month	6 <b>Add/Deduct -</b> Adjustments	7 <b>Ending Balance</b> Number of claims in inventory at the end of the month
11.						0
12.						0
13.						0
14.						0
15.						0
16.						0
17.						0
18.						0
19.						0
20.						0
21.						0
22.						0
23.						0

\* Describe any significant changes reported on Schedule G, Section III in the Supplemental Schedule (Page 2).

**STATEMENT AS OF 12-31-2002 OF 933-0079 Private Medical-Care, Inc.**

**SCHEDULE H - AGING OF ALL CLAIMS**

Age all claims on hand at the end of each month. Use the date of receipt to determine the number of days the claims is outstanding.

The amount reported in Column 6 should equal the amount Reported on Schedule G, Section III, Column 7.

	1	2	3	4	5	6
	Month Ending	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Total
1.						0
2.						0
3.						0
4.						0
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0



**STATEMENT AS OF 12-31-2002 OF 933-0079 Private Medical-Care, Inc.**

**SCHEDULE I - ANALYSIS OF TOTAL MEDICAL LIABILITY TO ACTUAL CLAIMS PAID**

Using the Plan's Lag Tables, complete the following table. Provide claim information the current quarter and the previous seven quarters. An actuarial certification may be submitted in lieu of this schedule.

Reported Accrual				
1	2	3	4	5
Quarter Ending Date	Total Medical Liability*	Amount Paid-To-Date	Difference - Column (2-3)	Liability (Based on plan's lag table)
1. See attached Actuarial Report		XXX	0	
2. Previous			0	
3. Previous			0	
4. Previous			0	
5. Previous			0	
6. Previous			0	
7. Previous			0	
8. Previous			0	

\* Should tie to Report #1, Part B, Columns 1 & 2, Lines 3 through 7.

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NOTES TO FINANCIAL STATEMENTS	
1.	Located on page 25 and 26 due to formating issues
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## OVERFLOW PAGE FOR WRITE-INS

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8.	<b>Page 7 Report #3 Statement of Cash Flows (Direct Method)</b>		
9.		<b>Current</b>	<b>YTD</b>
10.	<b>Due to Affiliate</b>	<b>(\$1,019,960)</b>	<b>(\$ 60,037)</b>
11.	<b>Accrued Capitation</b>	<b>\$ 21,055</b>	<b>(\$ 45,140)</b>
12.	<b>Deferred Rent</b>	<b>(\$ 21,150)</b>	<b>(\$ 100,483)</b>
13.	<b>Interest Receivable</b>	<b>( \$660)</b>	<b>( \$ 65)</b>
14.	<b>Deferred Compensation</b>	<b>(\$ 19,700)</b>	<b>(\$ 19,700)</b>
15.	<b>Deposits</b>	<b>( \$6)</b>	<b>(\$ 13,686)</b>
16.	<b>Notes Receivable</b>	<b>(\$ 137,500)</b>	<b>(\$ 137,500)</b>
17.	<b>Total</b>	<b>(\$1,117,921)</b>	<b>(\$ 376,111)</b>
18.			
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## STATEMENT AS OF 12-31-2002 OF 933-0079 Private Medical-Care, Inc.

**KNOX-KEENE**  
**SUPPLEMENTAL INFORMATION**  
**PURSUANT TO SECTIONS 1300.84.06, 1300.84.2 AND 1374.68**

	1	2	3	4	5
A.	Explanation of the method of calculating the provision for incurred and unreported claims:				
1.	Regression analysis based on historical data.				
B.	Accounts and Notes Receivable from officers, directors, owners or affiliates, as detailed below:				
	Name of Debtor	Nature of Relationship	Nature of Receivable	Amount	Terms
2.	Delta Dental Insurance Company	Affiliate	Operational	652,081	
3.	Delta Dental Plan of California	Affiliate	Operational	57,105	
4.					
5.					
6.					
C.	Donated materials or services received by the reporting entity for the period of the financial statements, as detailed below:				
	Donor's Name	Affiliation with Reporting Entity	Valuation Method	Amount	
7.					
8.					
9.					
10.					
11.					
D.	Forgiven debt or obligations, as detailed below:				
	Creditor's Name	Affiliation with Reporting Entity	Summary of How Obligation Arose	Amount	
12.					
13.					
14.					
15.					
E.	Calculation of Tangible Net Equity (TNE) and Required TNE in accordance with Section 1300.76 of the Rules:				
16.	Net Equity			\$ 17,087,075	
17.	Add: Subordinated Debt			\$ 10,000,000	
18.	Less: Receivables from officers, directors, and affiliates			\$ 2,849,132	
19.	Intangibles			\$ 2,767,182	
20.	Tangible Net Equity (TNE)			\$ 21,470,761	
21.	Required Tangible Net Equity (See Page 22)			\$ 1,772,718	
22.	TNE Excess (Deficiency)			\$ 19,698,043	
F.	Percentage of administrative costs to revenue obtained from subscribers and enrollees:				
23.	Revenue from subscribers and enrollees			\$ 166,317,419	
24.	Administrative Costs			\$ 46,327,154	
25.	Percentage			28	
26.	The amount of health care expenses incurred during the six month period immediately preceding the date of the report which were or will be paid to noncontracting providers or directly reimbursed to subscribers and enrollees:			\$ 1,399,286	
27.	Total costs for health care services for the immediately preceding six months:			\$ 60,641,258	
28.	Percentage			2	

		1
<p>G. If the amount of health care expenses incurred during the six month period immediately preceding the date of the report which <u>were or will be</u> paid to noncontracting providers or directly reimbursed to subscribers and enrollees exceeds 10% of the total costs for health care services for the immediately preceding six months, the following information, determined as of the date of the reports, shall be provided:</p>		
29. Amount of all claims for noncontracting provider services received for reimbursement but not yet processed:	\$	
30. Amount of all claims for noncontracting provider services denied for reimbursement during the previous 45 days:	\$	
31. Amount of all claims for noncontracting provider services approved for reimbursement but not yet paid:	\$	
32. An estimate of the amount of claims for noncontracting provider services incurred, but not reported:	\$	
33. Compliance with Section 1377(a) as determined in accordance with such section, as follows:		
34. Cash & cash equivalents maintained	\$	
35. Noncontracting provider claims (aggregate of total of items 29 - 32 above)	\$	0
36. Cash & cash equivalents reported to be maintained (120% x Line 35)	\$	0
37. Deposit required (100% of Line 36)	\$	0
38. Excess (deficient) reserves (Line 34 - Line 37)	\$	0
Percentage of premium revenue earned from point-of-service plan contracts:		
39. Premium revenue earned from point-of-service plan contracts	\$	
40. Total premium revenue earned	\$	
41. Percentage		
Percentage of total health care expenditures incurred for enrollees for out-of-network services for point-of-service enrollees:		
42. Health care expenditures for out-of-network services for point-of-service enrollees	\$	
43. Total health care expenditures	\$	
44. Percentage		
45. Point-of-Service Enrollment at end of period		
Total Ambulatory encounters for period for point-of-service enrollees:		
46. Physician		
47. Non-Physician		
48. Total		0
49. Total Patient Days Incurred for Point-of-Service enrollees		
50. Annualized Hospital Days/1000 for Point-of-Service enrollees		0
51. Average Length of Stay for Point of Service enrollees		0
52. Compliance with Section 1374.68(a) as follows:		
53. Current Monthly Claims Payable for out-of-network coverage or services provided under Point-of-Service Contracts:	\$	
54. Current monthly incurred but not reported claims balance for out-of-network coverage or services provided under Point-of-Service contracts	\$	
55. Total	\$	0
56. Total times 120%	\$	0
57. Deposit (Greater of Line 56 or minimum of \$200,000)	\$	

**STATEMENT AS OF 12-31-2002 OF 933-0079 Private Medical-Care, Inc.**

**REQUIRED TANGIBLE NET EQUITY (TNE) CALCULATION:**

TNE required must be equal to the GREATER of "A" "B" or "C" below (See Rule 1300.76)

		Full Service Plans	Specialized Plans
		1	2
<b>A.</b>	Minimum TNE Requirement	\$ 1,000,000	\$ 50,000
<b>B.</b>	REVENUES:		
1.	2% of the first \$150 million of annualized premium revenues	\$	2% of the first \$7.5 million of annualized premium revenue \$ 150,000
	Plus		Plus
2.	1% of annualized premium revenues in excess of \$150 million	\$	1% of annualized premium revenue in excess of \$7.5 million \$ 1,622,718
3.	Total	\$ 0	\$ 1,772,718
<b>C.</b>	HEALTHCARE EXPENDITURES:		
4.	8% of the first \$150 million of annualized health care expenditures, except those paid on a capitated or managed hospital basis.	\$	8% of the first \$7.5 million of annualized health care expenditures, except those paid on a capitated or managed hospital basis. \$ 600,000
	Plus		Plus
5.	4% of annualized health care expenditures in excess of \$150 million except those paid on a capitated or managed hospital payment basis.	\$	4% of annualized health care expenditures in excess of \$7.5 million except those paid on a capitated or managed hospital payment basis. \$ 1,163,247
	Plus		Plus
6.	4% of the annualized hospital expenditures paid on a managed hospital payment basis.	\$	4% of the annualized hospital expenditures paid on a managed hospital payment basis. \$
7.	Total	\$ 0	\$ 1,763,247
8.	Required "TNE" - Greater of "A" "B" or "C"	\$	Required "TNE" - Greater of "A" "B" or "C" \$ 1,772,718

**KNOX -KEENE  
SUPPLEMENTAL INFORMATION  
PURSUANT TO SECTIONS 1374.64**

**POINT OF SERVICE TANGIBLE NET EQUITY CALCULATION**

Calculation of Tangible Net Equity and required Tangible Net Equity in accordance with Section 1374.64:

	1	
1. Net Equity	\$	17,087,075
2. Add: Subordinated Debt	\$	
3. Less: Receivables from officers, directors, and affiliates	\$	
4. Intangibles	\$	
5. Tangible Net Equity (TNE)	\$	17,087,075
6. Required Tangible Net Equity (From Line 10 or 13 below)	\$	
7. TNE Excess (Deficiency)	\$	17,087,075
<b>ADJUSTED MINIMUM TANGIBLE NET EQUITY CALCULATION</b> <b>(Complete Section I or II):</b>		
<b>I. Plan is required to have and maintain TNE as required by Rule 1300.76 (a)(1) or (2):</b>		
8. Minimum TNE as calculated under Rule 1300.76 (a)(1) or (2)	\$	
9. 10% of annualized health care expenditures for out-of-network service for point-of-service enrollees	\$	
10. Add lines 8 and 9	\$	0
<b>II. Plan is required to have and maintain TNE as required by Rule 1300.76 (a)(3):</b> <b>PART A</b>		
11. Minimum TNE as recalculated to exclude annualized healthcare expenditures for out-of-network services for point-of-service enrollees (attach worksheet Page 24)	\$	
12. 10% of annualized health care expenditures for out-of-network services for point-of-service enrollees	\$	
13. Add lines 11 and 12	\$	0
<b>III. MINIMUM TNE REQUIREMENT TO DETERMINE MONTHLY REPORTING</b>		
14. Multiply Line 5 (above) by 130%	\$	22,213,198
15. Multiply Line 6 (above) by 130%	\$	0
16. Difference (Line 14 - Line 15)	\$	22,213,198
<b>If Line 14 is less than Line 15, then monthly reporting is required</b>		

**STATEMENT AS OF 12-31-2002 OF 933-0079 Private Medical-Care, Inc.**

**WORKSHEET FOR ADJUSTED TANGIBLE NET EQUITY CALCULATION**

	1 Full Service Plans	2 Specialized Plans
1. Health care expenditures for period	\$ <input type="text"/>	\$ <input type="text"/>
Less:		
2. Capitated or managed hospital payment basis expenditures	<input type="text"/>	<input type="text"/>
3. Health care expenditures for out-of-network services for point-of-service enrollees	<input type="text"/>	<input type="text"/>
4. Result	<input type="text" value="0"/>	<input type="text" value="0"/>
5. Annualized	<input type="text"/>	<input type="text"/>
6. Reduce to maximum of \$150 million	<input type="text"/>	<input type="text"/>
7. Multiply by 8%	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>
Plus		
8. Annualized health care expenditures except those paid on a capitated or managed hospital payment basis and excluding health care expenditures for out-of-network services for point-of-service enrollees	\$ <input type="text"/>	\$ <input type="text"/>
9. Less \$150 million	<input type="text"/>	<input type="text"/>
10. Multiply by 4%	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>
Plus		
11. Annualized hospital expenditures paid on a managed hospital payment basis and excluding health care expenditures for out-of-network services for point-of-service enrollees	\$ <input type="text"/>	\$ <input type="text"/>
12. Multiply by 4%	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>
13. Total	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>



## STATEMENT AS OF 12-31-2002 OF 933-0079 Private Medical-Care, Inc.

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**NOTES TO FINANCIAL STATEMENTS**


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**A. NATURE OF ORGANIZATION**

Private Medical-Care, Inc. ("The Company"), a tax-exempt, nonprofit California corporation, as well as Alpha Dental Programs, Inc. ("Alpha"), and two subsidiaries named DeltaCare Dental Plans, Inc. ("DCDP"), administer and underwrite prepaid dental and vision care programs. The consolidated financial statements of the Company include the accounts of these 100% owned subsidiaries. Intercompany transactions and balances have been eliminated.

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Estimates and Assumptions

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses reported for the periods presented. The Company regularly assesses these estimates and while actual results may differ, management believes that these estimates are reasonable.

Cash and Temporary Investments

Cash and temporary investments consist of demand deposits and money market funds. Certificates of deposit with original maturities in excess of three months are classified separately as restricted assets.

Property and Equipment

Office furniture, equipment and computer systems are stated at cost and depreciated by the straight-line method over their estimated useful lives. Leasehold improvements are stated at cost and are amortized on the straight-line basis over the remaining life of the building lease.

Deferred Compensation Plan

The Company provides a deferred compensation plan, other than a pension plan, for certain management employees. Investments and liabilities related to these programs consist of participant contributions and investment income and are included in long-term investments and other liabilities.

Accrued Professional Services

Accrued physician and referral claims represent estimated unpaid provider services incurred prior to the end of the year and are estimated based upon claims experience. Adjustments resulting from revisions of these estimates are reported in the period in which the revisions are made.

**C. RELATED PARTY TRANSACTIONS**

Delta Dental Plan of California ("DDPC") has the controlling membership and management contract with the Company. Under the contract, the Company receives management and consulting services from DDPC. The fee for these services amounted to \$1,577,255 for 2001 and \$1,690,235 through December 31, 2002.

The Company participates in a defined benefit pension plan for DDPC and its affiliates. The funding policy is to contribute annually not less than the minimum required by ERISA. The Company's pension expense was \$290,667 for 2001, and \$540,087 through December 31, 2002.

The Company maintains a demand deposit account with DDPC for investment purposes. The balance is available when needed and earned 6.6% in 2001, based on returns obtained by DDPC. The Company's deposit was \$18,744,434 at December 31, 2001 and \$21,399,465 at December 31, 2002.

## STATEMENT AS OF 12-31-2002 OF 933-0079 Private Medical-Care, Inc.

## NOTES TO FINANCIAL STATEMENTS

**D. POST-RETIREMENT HEALTH BENEFITS PLANS**

The Company participates in a post-retirement health benefit plan for DDPC and its affiliates. The plan limits the Company's annual cost sharing increase to 4% beginning in the year 2003 with increases above the limit paid by retirees. A 13% healthcare trend rate and a 4% discount rate was used in the measurement of the Company's benefit obligations for 2001 and 2000, respectively.

The accrued post-retirement benefit and accumulated post-retirement benefit obligation for the Company are summarized in the table below:

	2001	2000
Accumulated benefit obligations	<u>\$ 1,764,824</u>	<u>\$ 1,272,000</u>
Projected benefit obligations	1,764,824	1,272,000
Fair value of plan assets	<u>-</u>	<u>-</u>
Obligations in excess of assets	<u>\$ 1,764,824</u>	<u>\$ 1,272,000</u>
Accrued liability	<u>\$ 2,602,182</u>	<u>\$ 2,440,504</u>
	2001	2000
Service cost of benefits earned	\$ 95,000	\$ 60,000
Interest cost on projected benefit obligation	120,000	90,000
Expected return on plan assets	-	-
Amortization of unrecognized prior service cost and experience losses	(25,000)	(48,000)
Net periodic costs	<u>\$ 190,000</u>	<u>\$ 102,000</u>
Company contributions	<u>\$ 6,200</u>	<u>\$ 3,500</u>
Employee contributions	<u>\$ -</u>	<u>\$ -</u>
Benefit payments	<u>\$ 6,200</u>	<u>\$ 3,500</u>

**E. LEASE COMMITMENTS AND CONTINGENCIES**

The Company has various operating and capital leases for office facilities and equipment. Those contracts include a fifteen year sublease for office facilities which commenced in 1998. The future minimum lease payments required under these agreements range from \$1,667,417 to \$3,345,837, in subsequent years through 2006 and aggregate \$16,920,715 through December 31, 2009. Rent expense in 2001, 2000 and 1999 was \$2,866,281, \$2,386,588 and \$2,403,000, respectively.

**F. Subsidiaries**

The consolidated financial statements include results of the Company's national subsidiaries. Year to date results of the individual subsidiaries are presented below

	PMI UNCONSOLIDATED	ALPHA TEXAS	DCDP NEVADA	DCDP UTAH	PMI CONSOLIDATED
Revenue	\$ 160,270,651	\$ 5,561,796	\$ 395,379	\$ 89,593	\$ 166,317,419
Interest & Other Revenue	\$ 2,680,394	\$ 18,984	\$ 1,920	\$ 4,808	\$ 2,706,106
Total Revenue	\$ 162,951,045	\$ 5,580,780	\$ 397,299	\$ 94,401	\$ 169,023,525
Health Care Expense	\$ 117,193,714	\$ 3,588,619	\$ 418,164	\$ 49,460	\$ 121,249,957
Administration Expense	\$ 45,588,226	\$ 1,992,721	\$ 109,147	\$ 30,734	\$ 47,720,828
Total Expenses	\$ 162,781,940	\$ 5,581,340	\$ 527,311	\$ 80,194	\$ 168,970,785
Income (Loss)	<u>\$ 169,105</u>	<u>\$ (560)</u>	<u>\$ (130,012)</u>	<u>\$ 14,207</u>	<u>\$ 52,740</u>
Assets	\$ 56,850,857	\$ 1,305,879	\$ 284,706	\$ 368,995	\$ 58,810,437
Liabilities	\$ 41,081,199	\$ 414,181	\$ 147,092	\$ 80,890	\$ 41,723,362
Equity	\$ 15,769,658	\$ 891,698	\$ 137,614	\$ 288,105	\$ 17,087,075
Total Liabilities & Equity	<u>\$ 56,850,857</u>	<u>\$ 1,305,879</u>	<u>\$ 284,706</u>	<u>\$ 368,995</u>	<u>\$ 58,810,437</u>

**H. Third Party Administration**

Results of operations include transactions related to national states in which the Company serves as a Third Party Administrator. Premium, professional services and outside referrals from these states year to date are:

	FLORIDA	GEORGIA	TOTAL
Subscriber Revenue	<u>\$20,371,803</u>	<u>\$2,104,999</u>	<u>\$22,476,802</u>
Healthcare Expense	<u>18,034,380</u>	<u>1,688,171</u>	<u>19,722,551</u>
Margin	<u>\$2,337,423</u>	<u>\$416,828</u>	<u>\$2,754,251</u>

## STATEMENT AS OF 12-31-2002 OF 933-0079 Private Medical-Care, Inc.

## NOTES TO FINANCIAL STATEMENTS

## G. TANGIBLE NET EQUITY

The Company is regulated by the California Department of Managed Health Care and is required to maintain a minimum tangible net approximately \$1,483,000 and \$1,772,718 at December 31, 2001 and December 31, 2002 respectively. Tangible net equity as defined and \$21,470,761 at those dates.

Table 1 reflects the elimination of \$2,767,182 from Tangible Net Equity representing the minimum Capital and Risk Based Capital required for the restricted assets related to PMI's operations outside of California. As of December 31, 2002, the amended Tangible Net Equity for the Company is \$21,470,761. This represents an excess of \$19,698,043 above the minimum required TNE of \$1,772,718.

TABLE 1  
AMENDED DMHC FILING FOR 4TH QTR 2002  
EXCLUDES PA, TX, UT, NV, & MD REQUIRED EQUITY AND RESTRICTED ASSETS

Net Worth Per Examination as of December 31, 2002 (From Section I.A.)	\$ 17,087,075
Add: Subordinated Notes Payable to Delta Dental Plan of California	\$ 10,000,000
Less: Receivables from officers, directors, and affiliates and 10% DDPC investments	\$ (2,849,132)
Less: Minimum Risk Based Capital and restricted assets required by other states	\$ (2,767,182)
Tangible Net Equity	\$ 21,470,761
Required TNE as of December 31, 2002	\$ 1,772,718
Excess TNE as of December 31, 2002	\$ 19,698,043

Private Medical Care, Inc.

Minimum Capital, Risk Based Capital Requirements and Restricted Assets 12/31/2002

## All Requirements

Pennsylvania RBC	\$ 2,014,499
Maryland RBC	\$ 83,572
Maryland Restricted Assets	\$ 99,723
Texas Capital Requirements	\$ 300,000
Texas Restricted Assets	\$ 133,088
Nevada Capital Requirements	\$ 75,000
Nevada Restricted Assets	\$ 16,300
Utah Capital Requirements	\$ 15,000
Utah Restricted Assets	\$ 30,000
Total	\$ 2,767,182

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**STATEMENT AS OF 12-31-2002 OF 933-0079 Private Medical-Care, Inc.**

ACTUARIAL OPINION AND MEMORANDUM

Delta Dental Insurance Company  
Pennsylvania Insurance Department

24-Jan-02

I, Kimberly Becker, am the Managing Actuary for Delta Dental Insurance Company (DDIC) and a member of the American Academy of Actuaries. I meet the Academy qualification standards for rendering this opinion and am familiar with the valuation requirements applicable to life and health insurance companies and health service corporations. I have been retained by Private Medical-Care, Inc. (PMI) to render this opinion of the 2001 annual statement. Delta Dental Plan of California holds the management contract for PMI and is the controlling shareholder of DDIC.

I have examined the actuarial assumptions and actuarial methods used in determining reserves and related actuarial items listed below, as shown in the annual statement of the company as prepared for filing with the state regulatory officials as of December 31, 2001.

Reserve for Claims:  
Incurred but not reported (IBNR) for PMI: \$4,395,000

I have relied upon the PMI Finance department for the substantial accuracy of the supporting data for the liabilities. I have examined the actuarial assumptions and methodologies used in the determination of the above reserves and I performed tests of the actuarial calculations.

The reserves stated above are held to cover liabilities for all claims whose payment amounts are based on provider agreements currently in effect. In my opinion, the reserves and related actuarial values concerning the statement items identified above:

- A) Are computed in accordance with accepted actuarial standards, consistently applied, and are fairly stated in accordance with sound actuarial principles;
- B) Are based on actuarial assumptions which produce reserves at least as great as those called for in any contract provision as to reserve basis and method, and are in accordance with all other contract provisions;
- C) Meet the requirements of the Insurance Law and regulation of the State of Pennsylvania and are at least as great as the minimum aggregate amount required by the state in which this statement is filed;
- D) Are computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the preceding year-end;
- E) Include provision for all actuarial reserves and related statement items which ought to be established.

This filing is in compliance with the applicable laws of the state of Pennsylvania, the rules of the Department of Insurance, Actuarial Standards of Practice Nos. 5, 8, 16, and the Actuarial Standards of Practice for Financial Reporting Recommendation 10.

This statement is updated annually as required by statute. To the best of my knowledge, there have been no material changes from the applicable date of the annual statement to the date of the rendering of this opinion which should be considered in reviewing this opinion.

This opinion is intended solely for the information and use of the Board of Directors and Management of PMI and for filing with the Pennsylvania Insurance Department and should not be used for any other purpose.

Kimberly A. Becker, ASA, MAAA

Delta Dental Insurance Company  
1000 Mansell Exchange West  
Building 100, Suite 100  
Alpharetta, Georgia 30022  
(800) 521-2651

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